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# Review of the Fire Insurance Business in Canada During 1921.

*A Summary.*



Written for the New York  
"Journal of Commerce and  
Commercial Bulletin" by  
**CECIL S. WAINWRIGHT,**  
*Secretary,*

WESTERN ASSURANCE CO. AND  
BRITISH AMERICA ASSURANCE CO.  
OF TORONTO

TORONTO, 31ST DECEMBER, 1921.





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# REVIEW OF THE FIRE INSURANCE BUSINESS IN CANADA DURING 1921.

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## A SUMMARY

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By CECIL S. WAINWRIGHT,  
Secretary, Western Assurance Co.  
and British America Assurance Co.  
of Toronto.

1921 has fulfilled the predictions made at the close of the previous year in respect to the complex and troublesome problems it would likely present to fire insurance men. As regards the probable outcome of the year's operations; the heavy increase in fire losses and the serious reduction in premiums that have taken place will give most of the Companies an adverse trading result. Reductions in the prices of commodities have undoubtedly brought a flood of moral hazard losses both of a deliberately dishonest and also of what may be termed a "criminally careless"



nature. Such other branches of insurance as the Dominion Insurance Act permits Fire Companies also to write have not helped to counteract the unfavourable fire record. On the contrary the Hail and Automobile business written by some of the fire Companies have in most cases made their results very much worse. The general trend of opinion seems to be that the combined fire loss ratio of all Companies reporting to the Dominion Insurance Department will likely run from 15% to 20% over that of 1920 (which was 43.41% on the basis of paid losses to cash received for premiums). The reduction in premium income is variously estimated at from 10% to 15% and is a consequence of the diminishing values of insurable property. Expenses, fixed and otherwise, and taxes do not show any perceptible decrease nor even any signs of an improvement.

#### DECREASES IN RATES

It is interesting to note that coincident with the decrease in the total average loss ratio in Canada during recent years, the average

rate charged upon all classes of risks written also shows a very material reduction, namely, from \$1.36 per \$100 of insurance written in 1910 to \$1.05 in 1920—a decrease of sixteen per cent. In Toronto the Companies have recently voluntarily reduced the rates upon dwelling houses by approximately 15%. This action was taken in view of the improvements in the fire fighting equipment in that city owing to the motorization of the fire brigade, the installation of other modern fire-fighting apparatus, etc. This is another proof of the statement that has often been made by the companies that they are always prepared to reduce rates upon individual risks when improvements warrant it and also to make general reductions in communities when a betterment of conditions in regard to construction, fire-fighting appliances, etc., takes place.

### FIRE WASTE

Estimates of the total value of all property destroyed or damaged by fire in the Dominion during the year run as high as \$31,000,000 as com-

pared with \$28,000,000 for 1920. While there has been no single fire which has approached the nature of a conflagration, there has been a steady stream of losses, large and small, contributing towards the above heavy total.

### LUMBER BUSINESS

The lumber business, particularly in Nova Scotia and New Brunswick has caused a great deal of concern to underwriters throughout the Dominion. Many of the banks undoubtedly have "frozen loans" on this class of property. A number of insurance companies have cancelled all their policies on this class, and these companies and others who have gone only lightly into the writing of lumber, have every reason to congratulate themselves. In one of the Provinces in the Dominion the suggestion has been made to fire insurance companies that "it might encourage greater care" (!) if the companies were to exercise their right to replace some of the lumber destroyed instead of paying for it in cash.



## BUILDING OPERATIONS

Building operations during the year have kept up fairly well when the decrease in the price of materials, etc., is borne in mind. For eleven months, according to a trade journal, the reported value of construction contracts awarded in the Dominion aggregated \$220,000,000 as compared with \$250,000,000 for the corresponding period of the previous year, and the following segregation of the various classes of construction work making up the former total is interesting:

Mercantile Buildings.....	\$80,000,000.
Residential Buildings .....	72,000,000.
Public Works and Utilities	52,000,000.
Industrial Buildings .....	16,000,000.
	<hr/>
	\$220,000,000.

It would be of even greater interest were statistics available giving the decrease in the values of contents of buildings (stocks, machinery, household goods, etc.) but no authentic figures showing these are obtainable. Consensus of opinion is that there will be considerable activity in building operations during the coming year providing that

strikes and similar troubles do not intervene to prevent a continuance of the construction work that is so urgently needed throughout the country.

### PROVINCIAL NOTES

In the Province of New Brunswick a Fire Prevention Act, including the establishment of a Fire Marshal's Department, came into force during the year. Quebec Province will show a loss to most Companies. In the Prairie Provinces the loss ratio has been adversely affected by the fall in the price of crops. The farmers have not reduced their debts to the mercantile community, and to this may be attributed the unusual number of fire losses in mercantile stores in these Provinces. The extent to which recent immigrants open up stores is remarkable, and many of their fires appear suspiciously like sales to the Insurance Companies. In British Columbia there is a good deal of unrest in insurance circles over the question of the commissions payable to Local Agents and to General Agents, and it is hoped that the

conference to be held shortly between representatives of the British Columbia Agents and Company Managers will result in a satisfactory adjustment of the difficulties. It is interesting to note that as a result of aeroplane patrols by the forestry officials forest fires have been less frequent in British Columbia. In that Province also a Fire Marshal's Act has been passed. New Westminster was threatened with a disaster owing to the destruction of its water supply system as the result of unusual and destructive floods in the Fraser River Valley, but fortunately no fires of any size occurred in that city, and repair work is being rushed to completion.

#### NEW ONTARIO INSURANCE ACT

In Ontario during the closing days of the year a Committee of the Legislature has been considering a new Insurance Bill drafted by the Superintendent of Insurance. Some of its provisions are of the utmost interest and importance to the fire insurance companies. For instance, the Department proposes to license all Loss Adjusters, giving

as its reason that this would prevent abuses arising through the employment of dishonest or unreasonable adjusters. Power is also sought to restrict the classes of people who may be licensed to act as agents. One section of the Bill is a novel one in any part of the British Empire in that—copying the legislation of some of the States—it seeks to supervise rates and to make the Insurance Department a court of appeal against alleged unreasonable rates with the power to revise any that it may decide should be altered. Another section of the Bill seeks to give the Department the right to demand Statements in greater detail than Companies are now required to file with it. Power is also asked by the Department to examine the books and accounts of companies operating under a Dominion License as well as those working under a Provincial License. As the former companies have their annual statements and their books audited annually by the Examiners of the Federal Insurance Department the proposed duplication of reporting and inspection is

viewed as unnecessary and burdensome.

Some of the provisions in the proposed Act give rise to the view that the Province questions the right of the Dominion Government to be the sole authority for the licensing and regulating of "foreign" Companies as well as of Companies with Dominion charters. Similar claims have been made by other Provinces and until either the Provincial or Dominion authorities yield it would appear that these Companies may have to try to obey the insurance laws of the nine Provincial Parliaments in addition to those of the Dominion Government even though these may conflict in various ways.

### SHINGLE ROOFS

During the year the various Fire Prevention Associations throughout Canada have conducted a vigorous educational campaign against the use of wooden shingles in certain areas. Considerable newspaper discussion took place throughout the Dominion in the early part of the year over a proposed Ontario Bill (not yet intro-



duced into the Legislature) to prohibit the use of wooden shingles or other combustible material as roofing on buildings. This was not to be a general prohibition but only one within certain specified areas where this class of roofing would be a source of danger to other buildings. On the one side of the discussion were ranged shingle manufacturers and builders, arguing that the danger from this cause was very much exaggerated. On the other side were the insurance men, pointing out that Underwriters Laboratories' tests had proven beyond a doubt the inflammability of shingle roofs and giving specific instances where such roofs had contributed to the spread of conflagrations.

#### LIGHTNING RODS

In the same Province (Ontario) legislation has been enacted providing for the proper installation of approved lightning rods. In this connection it is interesting to note from a recent report of the Ontario Fire Marshal that out of 427 losses caused by lightning in the nine months ending 30th September,

1921, and resulting in a property loss of \$231,704 only five of these, entailing a loss of \$155 were in rodded risks, while 422 with a property loss of \$231,549 occurred in non-rodded risks.

### FIRE MARSHALS

A great deal of praise is due to the Fire Marshals' Departments in the various Provinces and particularly to the Ontario Fire Marshal's Department which has so ably assisted the Companies in investigating the causes of many of the fires. The increase in the value of property destroyed in Ontario must have been most disappointing to him in view of the valuable work he has done towards the prevention of fires.

### UNIFORM POLICIES

The Annual Meeting of the Association of Provincial Superintendents of Insurance took place in Quebec early in October. Among the subjects discussed were

- (a) Uniform Statutory Conditions in fire policies.
- (b) A model fire insurance policy Act as drafted by

the Committee on Uniform Legislation.

- (c) Uniform automobile policy conditions.
- (d) Fire prevention.

There are sharply divergent views amongst fire insurance companies as to the desirability and practicability of uniform Statutory Conditions and uniform Fire Policies throughout the Dominion. Some contend that in view of the legal precedents that have been established in various Provinces by judgments rendered upon their respective policies it would be very upsetting to have a new set of conditions in such provinces. Others hold that the advantages to be gained by the adoption of a uniform policy and uniform conditions throughout the various Provinces would more than off-set this objection. It of course rests with the Legislatures of the different Provinces as to whether or not they will adopt the recommendations of the Association of Provincial Insurance Superintendents. In any event, even if they did see fit to do so, two or three years would undoubt-

edly pass before all the necessary legislation could be put into effect.

#### NEW ANNUAL STATEMENT FORM

The Dominion Insurance Department has sent the Companies new forms upon which to report their 1921 business. These call for information of a much more varied nature than has been the custom in the past. Some of the more important changes are:

- (1) The Departmental Report for 1921 and for subsequent years will be made upon the basis of *premiums written and losses incurred*, instead of upon the basis of *cash received for premiums and losses actually paid* as has been the custom in the past. This is a change which will no doubt be welcome to all Companies.
- (2) Loss-Adjustment Expenses are to be shown separately from the losses.
- (3) The elimination from a Company's Assets of all unpaid premiums upon business dated prior to October 1st.

## COLLECTIONS

In the past the Department has not deducted these unpaid premiums from a Company's assets although it has specially "ear-marked" them in the Annual Statements. As in 1921 many Companies have experienced more than usual difficulty in the collection of balances, due primarily to the prevailing tightness of money, this change will affect more of the Companies than if the year had been a normal one.

But the granting of long credits by agents to the assured and, sequentially, by Companies to their agents, has for many years past been one of the great evils in the conduct of the fire insurance business. After all, when a man purchases fire insurance, why should he not pay his premium upon delivery of the policy? He would have to pay the consideration binding any other commercial contract promptly upon its effectuation. Much would be gained if all the worry and correspondence and inspectors' time and travelling expenses, and the time wasted by the Companies in dunning their agents,



and by the agents in dunning their clients, could be avoided—to say nothing of the amount of interest that is lost to the Companies on the large sums involved in these overdue balances. However, a successful outcome of this matter can be reached only by co-operation between the Companies themselves and between the Companies and the Agents. The evil has existed for so long that it is difficult to say whether the Companies or the Agents are primarily responsible for it, but the various Associations of Fire Insurance Agents throughout Canada might very well and profitably take it up for discussion and vigorous action.

#### NEW COMPANIES IN CANADA

There still continues a steady influx of Companies into Canada, 12 new Companies having entered in 1921. At the end of 1910 there were 60 Companies licensed by the Dominion Insurance Department. To-day there are 164. No doubt many of the latest comers have been induced to enter by the tremendous augmentation in the volume of fire premiums written in

the Dominion in recent years, these having increased from 18 million dollars in 1910 to 50 million dollars in 1920. But as a large portion of the increase during the last few years was due to inflations in values the competition for new business for the next few years is bound to be acute.

### CONCLUSION

1920 was called a year of "readjustments." 1921 has been a year of "deflation." He would be a bold man who would venture to prophesy what definition would be likely to be applicable to 1922, but the results of the fire insurance business will not show any improvement until there is a betterment in general business conditions throughout the Dominion, so closely are the good and bad fortunes of the fire insurance companies interwoven with those of the farming, mercantile, manufacturing and financial interests of the country and with the proper fixation and stabilization of values.

C. S. WAINWRIGHT.

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Toronto, 31st Dec., 1921.









